

**Management Advisory Report:
Progress in Issuing Employer
Identification Numbers Has Been Made,
but Enhancements Are Needed**

September 2002

Reference Number: 2002-30-182

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

September 16, 2002

MEMORANDUM FOR THE COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

A handwritten signature in cursive script, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner
Acting Inspector General

SUBJECT: Final Management Advisory Report – Progress in Issuing
Employer Identification Numbers Has Been Made, but
Enhancements Are Needed (Audit # 200230009)

This report presents the results of our review to determine whether the Internal Revenue Service's (IRS) Employer Identification Number (EIN)¹ Issuance Program improved the level of service provided to taxpayers requesting EINs.

In summary, we found that the IRS has made improvements to the EIN issuance process by implementing an EIN toll-free telephone service, processing and procedural changes. The primary improvement achieved by the EIN toll-free service is providing all taxpayers access to apply for and receive EINs 10 hours a day, 5 days a week. Prior to the toll-free line, telephone service was not available nationwide, nor was it available 5 days a week. In addition, practitioners can now obtain unlimited EINs in one telephone call, thereby eliminating the five EIN limit per call. Also, practitioners can now be authorized to receive their clients' EIN data directly from the IRS.

However, two areas require enhancements to improve service to taxpayers and the efficiency of IRS' operations. First, the IRS can use technology to provide a higher quality of customer service to taxpayers requesting an EIN. The EIN customer contact centers' design is labor intensive and does not offer taxpayers access to automated self-service options within its telephone architecture. Progress in the self-service option is being made, since an EIN Internet option is in the development phase. Second, the

¹ An EIN is a Tax Identification Number required for certain classes of taxpayers by Internal Revenue Code § 6109 (2001).

contingency plan for the EIN issuance process requires revision, since operations are not efficient and customers are not assigned an EIN immediately when the Integrated Data Retrieval System (IDRS)² has a service disruption. This is complicated by the fact that the peak demand for EINs occurs during the annual IDRS shutdown for year-end processing.

We recommend that the IRS develop technology solutions to offer automated self-service for both telephone and fax options. To improve operations during IDRS service disruptions, the IRS should make process changes to reserve blocks of EINs to be issued when the information system is unavailable. In the longer term, the IRS should consider distributed processing³ enhancements so that EIN applications can be processed during these service disruptions.

Management's Response: The IRS generally agreed with our recommendations. The IRS is developing an EIN Internet option that will provide a self-service option for taxpayers needing an EIN. Over the next few years, as the IRS transitions to a contact center environment, its modernized systems architecture will support automated systems on the telephone and Internet. The IRS is still pursuing security certification for its fax server option that is not yet operational. However, this system will still require a tax examiner to process the EIN. The IRS states that it will reduce handling time and provide quicker responses to EIN requests.

The IRS will establish procedures to ensure that the IDRS end of year downtime does not impact the EIN issuance process. IRS will reserve a block of EINs for known downtimes and make them available to Customer Service Representatives to assign to customers. The IRS advised that, in line with its current modernization efforts, ongoing improvement initiatives would provide immediate access to EINs without IRS intervention. For example, the IRS is currently testing the Customer Account Data Engine (CADE) System, which will give taxpayers more opportunity for self-service options.

Office of Audit Comment: The emphasis of our recommendation regarding the fax option was to use technology (i.e., programming) to have the faxes processed so human intervention is not required. Also, while the CADE System may give taxpayers the opportunity for self-service options, this new system may also experience downtime. Our recommendation was designed to address long-term solutions to process EINs when the IDRS or future systems are not available.

² The IDRS is the IRS' computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.

³ Distributed Processing – A network of computers such that the processing of information is initiated in local computers, and the resultant data is sent to a central computer for further processing with the data from other local systems. *Newton's Telecom Dictionary, 15th edition February 1999*

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Gordon C. Milbourn III, Assistant Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-3837.

**Management Advisory Report – Progress in Issuing Employer Identification Numbers
Has Been Made, but Enhancements Are Needed**

Table of Contents

Background	Page 1
The New Employer Identification Number Issuance Process Experienced Problems During the Implementation Phase, but Some Changes Have Improved Customer Service	Page 2
Technology Enhancements Are Needed for the Employer Identification Number Issuance Process' Customer Contact Centers	Page 4
<u>Recommendations 1 and 2:</u>	Page 6
Improvements Are Needed in the Contingency Plan for the Employer Identification Number Issuance Process	Page 6
<u>Recommendation 3:</u>	Page 7
<u>Recommendation 4:</u>	Page 8
Appendix I – Detailed Objective, Scope, and Methodology	Page 9
Appendix II – Major Contributors to This Report.....	Page 10
Appendix III – Report Distribution List	Page 11
Appendix IV – Management's Response to the Draft Report	Page 12

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

Background

The Internal Revenue Service (IRS) assigns over four million Employer Identification Numbers (EIN) annually to sole proprietors, corporations, partnerships, estates, trusts and other business entities for tax filing and reporting purposes. Every business entity required to file a federal tax return must have an EIN. Certain states, grantors of trusts and financial institutions also may require taxpayers to have an EIN.

A major strategy for the Small Business/Self-Employed (SB/SE) Division is to reduce the burden on small business taxpayers by improving the process of obtaining an EIN, to make it less time consuming and cumbersome. In the past, the IRS received numerous complaints from practitioners, taxpayers and IRS employees regarding the EIN issuance process.¹ The IRS was unable to consistently meet service level targets, and the EIN process created frustration in the taxpayer and practitioner communities because of slow response times and inadequate communications.

For business taxpayers, the EIN issuance process is burdensome because the time spent obtaining an EIN does not add to productivity or competitiveness. However, EINs are necessary for business taxpayers to comply with filing and payment requirements needed for wage and unemployment tax administration.

In January 2002, the SB/SE Division completed its centralization of the EIN issuance process from 10 to 3 SB/SE Division sites. The tax examiners at these sites are specialists responsible for processing all requests for EINs. The IRS has assigned 315 Full Time Equivalents² (FTE) to process the EIN applications.

In connection with centralizing the EIN issuance process, the SB/SE Division implemented a toll-free telephone line for the TELETIN³ operation. Calls to this toll-free line are routed to the next available assistor regardless of location in an effort to reduce taxpayer wait time.

¹ Employer Identification Number-Discussion Document. Booz-Allen and Hamilton *April 2001*.

² An FTE generally includes 260 compensable days (2,080 hours).

³ Telephone Tax Identification Number (TELETIN).

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

The New Employer Identification Number Issuance Process Experienced Problems During the Implementation Phase, but Some Changes Have Improved Customer Service

We performed the review at the SB/SE Division Headquarters in Washington, D.C. and visited the IRS campuses in Brookhaven, Cincinnati and Philadelphia between November 2001 and June 2002. The review was conducted in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*.

Detailed information on our objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Overall, the IRS has made improvements to the EIN issuance process by expanding service hours through the use of a toll-free telephone service and making process and procedural changes. The primary improvement achieved by the EIN toll-free service is providing all taxpayers access to apply for and receive an EIN 10 hours a day, 5 days a week. Prior to the toll-free line, TELETIN was not available nationwide, nor was it available 5 days a week. For example, the IRS' Memphis and Ogden Campuses did not offer TELETIN to taxpayers in their geographic area.

Process and procedural changes to the EIN issuance process have made it easier for practitioners to better serve their clients. First, practitioners can now obtain unlimited EINs in one telephone call, thereby eliminating the five EIN registration limit per TELETIN contact. Second, practitioners can now be authorized to receive their clients' EIN data directly from the IRS. This change was achieved by including a disclosure authorization on the Application for An Employer Identification Number (Form SS-4) that eliminates the need for a Power of Attorney (Form 2848).

However, the IRS experienced implementation problems during the 2002 Filing Season.⁴ Also, the IRS experienced problems that have caused, and may continue to cause, customer service problems during peak demand periods. The implementation problems involved:

- Not initiating communication regarding a key change with the Social Security Administration (SSA).
- Ineffective handling of Form SS-4 data.

⁴ The Filing Season is the period from January through mid-April when most individual income tax returns are processed

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

- Not always having the IRS' Integrated Data Retrieval System (IDRS)⁵ available for EIN issuance (see page 6 for more information).

Not initiating communication regarding a key change with the SSA

The SB/SE Division changed the EIN prefix numbering convention.⁶ However, it did not effectively communicate this change to its stakeholders. As a result, the IRS assigned over 13,000 EINs with a prefix that had been used internally by the SSA for over 40 years. The Memorandum of Understanding between the IRS and the SSA requires that the IRS notify the SSA of any changes or additions to EIN prefixes. However, in this situation the SSA identified the problem and notified the IRS in January 2002. At that time, the SSA and IRS met to discuss ways in which to resolve the issue.

The IRS began resolving this issue with affected taxpayers in May 2002. The solution selected was to assign a new EIN and merge the current account into the new EIN. The IRS is currently in the process of notifying the affected taxpayers of their new EIN. These taxpayers will need to resolve any issues regarding financial institution accounts and business dealings in which the erroneous EINs were used. For example, the EIN is the employer identifier used in most health care transactions. Employers have to obtain and use the EIN on all health care electronic transactions that require an employer identifier.

Ineffective handling of Form SS-4 data

The EIN issuance process also changed how the IRS sends Form SS-4 data to the SSA. Starting in January 2002, the IRS was to implement a process to electronically transmit Form SS-4 data. However, the implementation was delayed for over 2 months.

⁵ The IDRS is the IRS' computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.

⁶ The EIN prefix numbering convention refers to the first two digits of the EIN, and for many years was used by the IRS to identify the geographic location of the taxpayer.

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

Technology Enhancements Are Needed for the Employer Identification Number Issuance Process' Customer Contact Centers

The three SB/SE Division EIN sites did not effectively handle the Forms SS-4 while the program implementation was delayed. As a result, Form SS-4 data was not retained on over 124,500 EIN applications, and is now no longer recoverable. We advised SB/SE Division management of this condition during our review. The SSA has not yet determined the effect of the missing data on their programs.

The SB/SE Division's Strategy and Program Plan for Fiscal Years 2002-2005 includes a strategic initiative to reduce the burden on small business taxpayers. The initiative includes an operational priority to identify methods of improving the process for obtaining an EIN, to make it less time consuming and cumbersome for the taxpayer.

In the private sector, customer contact centers offer their customers various automated self-service systems to process payments, make inquiries and update customer information. The current EIN issuance process design is labor intensive and only offers access through an IRS tax examiner via telephone, fax and mail.

Technology enhancements are needed to both the telephone and fax contact methods. In the current telephone process, a tax examiner must input the necessary information into a computer. When customers are unable to contact the IRS because of heavy demand, they must re-contact the IRS as many times as necessary in order to receive the EIN. An automated self-service option could reduce the number of customers that need to contact a tax examiner, thereby improving service and reducing costs.

Similarly, the IRS plans to enhance the EIN issuance process by using a fax server option that is not operational to date. The system being implemented will still require a tax examiner to process the EIN. However, as with telephone automated self-service systems, fax servers can also be programmed to issue an EIN without tax examiner intervention.

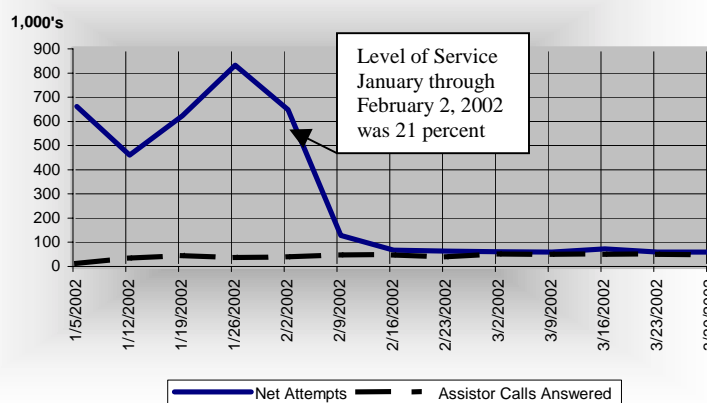
In line with private sector customer contact centers, an EIN Internet application is in the development phase. This system can be an automated self-service system.

These automated self-service enhancements are needed to improve customer service. In January and February of 2002

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

the three EIN sites were unable to meet the telephone demand for new EINs. This resulted in a cumulative Customer Service Representative Level of Service⁷ of 42 percent for the 5-month period ending May 31, 2002, and has harmed taxpayer relations and generated negative publicity about the EIN issuance process.

Figure 1. EIN Call Attempts and Assistor Calls Answered for January through March 2002



Source: 2002 Weekly Enterprise Snapshot Reports as of March 30, 2002.

The graph shows that during the peak period, the EIN sites experienced problems handling the demand for EINs. When the peak period ended and the demand for EINs decreased, the EIN sites could meet the demand.

⁷ “Customer Service Representative Level of Service” is defined as the relative success rate of taxpayers that are calling IRS toll-free services. Level of service will be expressed as “Calls answered” divided by “total call attempts.”

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

Recommendations

The Director, Customer Account Services, SB/SE Division, who is responsible for the EIN issuance process, should provide customers with more self-service options by:

1. Enhancing the TELETIN architecture with an automated self-service option.

Management's Response: The IRS is developing an EIN Internet application. This system will be an automated self-service system. Over the next few years, as the IRS transitions to a contact center environment, its modernized systems architecture will support automated systems on the telephone and the Internet.

2. Modifying the programming of the fax server option to reduce reliance on tax examiner intervention.

Management's Response: The IRS is still pursuing security certification for its fax server option that is not yet operational. This system will still require a tax examiner to process the EIN. However, the IRS states that it will reduce handling time and provide quicker responses to EIN requests.

Office of Audit Comment: The emphasis of the recommendation was to use technology (i.e., programming) to have the faxes processed so human intervention is not required.

Improvements Are Needed in the Contingency Plan for the Employer Identification Number Issuance Process

The Internal Revenue Manual requires that management develop plans that will enable processing systems to continue functioning following an emergency or service disruption. Appropriate contingency plans are required to be developed, tested and updated by end users of information technology applications. These contingency plans help to ensure that users can continue to perform essential functions in the event their information technology support is interrupted.

The contingency plan for the EIN issuance process requires revision since operations are not efficient and customers are not served well when the IDRS has a service disruption. The IDRS is critical to the current process because tax examiners use it to issue EINs to taxpayers. When the IDRS is

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

unavailable, the tax examiners cannot process and issue EINs.

A major problem occurred during the period December 21, 2001, to January 1, 2002, when the IDRS was not available because of the annual year-end processing. This situation caused the EIN Form SS-4 paper inventory to grow from approximately 11,800 to over 70,000 applications. The three EIN Program sites had to ship paper inventory to non-EIN Program sites and assign non-EIN personnel to process the applications.

This annual IDRS shutdown occurs at the end of each calendar year. This is complicated by the fact that this annual shutdown coincides with the peak demand period for requests for new EINs. However, because it is a known event, the contingency plan can address its occurrence with greater certainty than for sporadic or unknown events.

The EIN issuance process' current contingency plan that addresses IDRS downtime provides for keeping the toll-free telephone service operational and taking requests by manually completing Forms SS-4. Once the IDRS is available, the Forms SS-4 are processed and the EINs are issued and then mailed. While this does result in the issuance of the EINs, it does not meet the customer's expectation of receiving an EIN immediately, and somewhat defeats the purpose of having the expanded TELETIN service.

Recommendations

The Director, Customer Account Services, SB/SE Division, should enable tax examiners to provide service to customers during the times when the IDRS is unavailable by:

3. Improving the contingency plan by reserving blocks of EINs to be assigned over the telephone when IDRS is inactive.

Management's Response: The IRS will establish procedures to ensure that the IDRS end of year downtime does not impact the EIN issuance process. IRS will reserve a block of EINs for known downtimes and make them available to Customer Service Representatives to assign to customers.

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

4. Developing a long-term solution using technology such as distributed processing⁸ to continue processing EINs when IDRS is not available.

Management's Response: In line with its current modernization efforts, ongoing IRS improvement initiatives will provide immediate access to EINs without IRS intervention. The Customer Account Data Engine (CADE) System will give taxpayers more opportunity for self-service options.

Office of Audit Comment: While the CADE System may give taxpayers the opportunity for self-service options, this new system may also experience downtime. Our recommendation was designed to address long-term solutions to process EINs when the IDRS or future systems are not available.

⁸ Distributed Processing – A network of computers such that the processing of information is initiated in local computers, and the resultant data is sent to a central computer for further processing with the data from other local systems. *Newton's Telecom Dictionary, 15th edition February 1999*

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the Internal Revenue Service's (IRS) Small Business/Self-Employed Division improved the level of service provided by the Employer Identification Number (EIN) issuance process. Specifically, we determined if the EIN toll-free telephone operation and centralization of the EIN issuance process (from 10 to 3 sites) resulted in improved timeliness and reduced taxpayer burden. To accomplish our objective, we:

- I. Determined whether the centralization of the EIN Program at three sites was effectively planned and implemented to provide consistent, accurate and timely processing and increased service to taxpayers requesting EINs.
 - A. Determined whether management ensured that the centralized sites were adequately staffed, that required resources were available, and that tax examiners were adequately trained.
 - B. Determined whether established business rules ensured that each site processed EINs consistently and in support of the program's goals and objectives.
 - C. Determined whether contingency plans were adequate in the event that the toll-free telephone operation at the sites and/or the Integrated Data Retrieval System (IDRS)¹ were disrupted.
 - D. Determined the effectiveness of the IRS' efforts to communicate EIN Program changes to stakeholders. We also identified transition items that impacted EIN customers and determined whether management timely addressed these issues.
- II. Determined whether the EIN issuance process met its goals and objectives.
 - A. Identified early concerns/issues confronting the three sites in the 2002 Filing Season (from January to April) and determined whether these concerns were timely addressed by management.
 - B. Evaluated the accessibility of the EIN Telephone Tax Identification Number (TELETIN) toll-free sites by analyzing the IRS's telephone system reports.

¹ The IDRS is the IRS' computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.

**Management Advisory Report – Progress in Issuing Employer Identification Numbers
Has Been Made, but Enhancements Are Needed**

Appendix II

Major Contributors to This Report

Gordon C. Milbourn III, Assistant Inspector General for Audit (Small Business and Corporate Programs)

Philip Shropshire, Director

Edmond Watt, Audit Manager

Timothy F. Greiner, Auditor

Michael Della Ripa, Auditor

**Management Advisory Report – Progress in Issuing Employer Identification Numbers
Has Been Made, but Enhancements Are Needed**

Appendix III

Report Distribution List

Commissioner N:C
Deputy Commissioner N:DC
Deputy Commissioner, Small Business/Self-Employed Division S:DC
Director, Customer Account Services, Small Business/Self-Employed Division S:CAS
Deputy Director, Customer Account Services, Small Business/Self-Employed Division
S:DC:CAS
Director, Accounts Management, Small Business/Self-Employed Division S:CAS:AM
Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Research Analysis N:ADC:R:O
Office of Management Controls N:CFO:F:M
Audit Liaison:
 Commissioner, Small Business/Self-Employed Division S:C

**Management Advisory Report – Progress in Issuing Employer Identification Numbers
Has Been Made, but Enhancements Are Needed**

Appendix IV

Management's Response to the Draft Report



COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

AUG 30 2002

**MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR
TAX ADMINISTRATION**

FROM:

JK Joseph G. Kehoe *Joe F. Hark*
Commissioner, Small Business/Self-Employed Division

SUBJECT:

Draft Management Advisory Report - Progress in Issuing
Employer Identification Numbers Has Been Made, but
Enhancements Are Needed (Audit # 200230009)

I reviewed your recommendations and found they coincide with actions we are
already implementing.

In response to the Employer Identification Number (EIN) implementation start-up
problems, as a contingency, we developed agent groups that combine EIN skills
with other Business Master File (BMF) Account skills, so if necessary, we can put
additional Customer Service Representatives on the phones.

We focused additional resources on the toll-free service as soon as the issue
surfaced. From February 25 through August 10, 2002, EIN Customer Service
Representative Level of Service averaged above 80%.

RECOMMENDATION 1

The Director, Customer Account Services, Small Business/Self-Employed
(SB/SE) Division, who is responsible for the EIN issuance process, should
provide customers with more self-service options by enhancing the TELETIN
architecture with an automated self-service option.

ASSESSMENT OF CAUSE

In the current telephone process, a tax examiner must input the necessary
information into a computer. When customers cannot contact the IRS because
of heavy demand, they must re-contact the IRS as many times as necessary to
receive the EIN. An automated self-service option could reduce the number of
customers who need to contact a tax examiner, thereby improving service and
reducing costs.

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

- 2

In January and February of 2002, the three EIN sites could not meet the telephone demand for new EINs. This shortfall resulted in a cumulative Customer Service Representative Level of Service of 42 percent for the 5-month period ending May 31, 2002. It has also harmed taxpayer relations and generated negative publicity about the EIN issuance process.

CORRECTIVE ACTION

The Level of Service in the report does not represent the current customer experience on the EIN line. To determine a more accurate level of service, we must discount the first six weeks of EIN service because of the number of multiple attempts taxpayers made. The number of calls we received daily exceeded 500,000 in January 2002, however we determined the number of unique calls we received daily was approximately 35,000. By the end of February 2002, the number of attempts began to closely mirror the number of unique calls, indicating we had reached a true level of the actual volume of incoming calls.

In line with private sector customer contact centers, we are developing an EIN Internet application. This system will be an automated self-service system. Over the next few years, as we transition to a contact center environment, our modernized systems architecture will support automated systems on different platforms such as telephone and Internet.

IMPLEMENTATION DATE

December 31, 2002

RESPONSIBLE OFFICIALS

Director, Customer Account Services, SB/SE Division

CORRECTIVE ACTION MONITORING PLAN

The SB/SE Customer Accounts Services (CAS) Project Management Officer (PMO) will monitor key implementation dates and inform the Director, Customer Account Services, SB/SE Division of any delays.

RECOMMENDATION 2

The Director, Customer Account Services, SB/SE Division, who is responsible for the EIN issuance process, should provide customers with more self-service options by modifying the programming of the fax server option to reduce reliance on tax examiner intervention.

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

- 3

ASSESSMENT OF CAUSE

In the private sector, customer contact centers offer their customers various automated self-service systems to process payments, make inquiries, and update customer information. The current EIN issuance process design is labor intensive and only offers access through an IRS tax examiner via telephone, fax, and mail.

CORRECTIVE ACTION

SB/SE CAS is pursuing security certification to enhance the EIN issuance process by using a fax server option that is not yet operational. The system will still require a tax examiner to process the EIN; however, it will reduce handling time and provide quicker responses to EIN requests.

IMPLEMENTATION DATE

December 31, 2002

RESPONSIBLE OFFICIAL

Director, Customer Account Services, SB/SE Division

CORRECTIVE ACTION MONITORING PLAN

The SBSE Customer Accounts Services (CAS) Program Management Officer (PMO) will monitor key implementation dates and inform the Director, Customer Account Services, SB/SE Division of any delays.

RECOMMENDATION 3

The Director, Customer Account Services, SB/SE Division, should enable tax examiners to provide service to customers during the times when the IDRS is unavailable by improving the contingency plan by reserving blocks of EINs to be assigned over the telephone when IDRS is inactive.

ASSESSMENT OF CAUSE

Our contingency plan for the EIN issuance process that addresses IDRS downtime provides for keeping the toll-free telephone service operational and manually completing Forms SS-4. Once the IDRS is available, we process the Forms SS-4, and issue and mail the EINs. While this results in the issuance of the EINs, it does not meet the customer's expectation of receiving an EIN immediately and somewhat defeats the purpose of having the expanded TELETIN service.

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

4

CORRECTIVE ACTION

We will establish procedures to ensure IDRS end of year downtime does not impact the EIN issuance process. We will reserve a block of EINs for known downtimes and make them available to Customer Service Representatives to assign to customers. We will update IRMs to include this procedure when implemented.

IMPLEMENTATION DATE

November 30, 2002

RESPONSIBLE OFFICIAL

Director, Customer Account Services, SB/SE Division

CORRECTIVE ACTION MONITORING PLAN

The SBSE CAS Program Manager for Accounts Management Policies, Procedures and Guidance will monitor and inform the Director, Customer Account Services, SB/SE Division of any delays.

RECOMMENDATION 4

The Director, Customer Account Services, SB/SE Division, should enable tax examiners to provide service to customers during the times when the IDRS is unavailable by developing a long-term solution using technology such as distributed processing to continue processing EINs when IDRS is not available.

ASSESSMENT OF CAUSE

The IDRS is critical to the current process because tax examiners use it to issue EINs to taxpayers. When the IDRS is unavailable, the tax examiners cannot process and issue EINs.

CORRECTIVE ACTION

In line with current modernization efforts, on-going agency improvement initiatives will provide immediate access to EINs without IRS intervention. For example, we are testing the Customer Account Data Engine (CADE) system. Full implementation of this system will give taxpayers more opportunity for self-service options.

Management Advisory Report – Progress in Issuing Employer Identification Numbers Has Been Made, but Enhancements Are Needed

- 5

IMPLEMENTATION DATE

Currently testing CADE pilot. Full implementation January 2006.

RESPONSIBLE OFFICIAL

Director, Customer Account Services, SB/SE Division will coordinate with Business Systems Modernization.

CORRECTIVE ACTION MONITORING PLAN

Director, Customer Account Services, SB/SE Division will support implementation efforts by providing subject matter experts until we achieve full implementation in January 2006.

If you have any questions, please contact me at (202) 622-0600, or John Ressler, Director, Customer Account Services, SB/SE Division at (202) 927-0797.